

Message Text

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ACTION NEA-10

INFO OCT-01 AF-06 EUR-12 ISO-00 SAM-01 IO-11 CIAE-00

DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 ACDA-05 SAJ-01 OMB-01 EB-07

TRSE-00 /101 W

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R 231640Z FEB 76

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 7782

INFO AMEMBASSY ALGIERS

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMEMBASSY NOUAKCHOTT

AMEMBASSY TUNIS

S E C R E T RABAT 1008

PASS DOD FOR ISA

E.O. 11652: GDS

TAGS: EGEN EFIN PFOR MO

SUBJECT: FURTHER DETAILS ON GOM EXTERNAL FINANCING NEEDS

REF: (A) RABAT 0573 (NOTAL), (B) RABAT 0883 (NOTAL), (C) RABAT 0972

1. SUMMARY: SENIOR CENTRAL BANK OFFICIAL OVER WEEKEND PROVIDED ECOUN WITH CONFIRMATION AND IMPORTANT ADDITIONAL DETAILS RE PROSPECTIVE SPANISH/MOROCCAN EXPLOITATION MESKALA PHOSPHATES; EURO LOAN STATUS; AND SAUDI AND IMF FINANCIAL ASSISTANCE. END SUMMARY.

2. MESKALA PHOSPHATES. INFORMANT ASSERTED THAT GOM DISCUSSIONS WITH SPAIN RE EXPLOITATION MESKALA PHOSPHATES ARE IN ADVANCED STAGE. HE SAID THAT BOTH SIDES ARE GENUINELY

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INTERESTED IN COOPERATIVE EFFORT, ASSURING ECOUN THAT GOM NOT MERELY TRYING TO IMPROVE ITS BARGAINING POSITION WITH

SOVIETS. INDEED, HE INSISTED, NEGOTIATIONS WITH SOVIETS NOT MERELY FROZEN, BUT DEAD. COMMENT: GIVEN IMPORTANCE ATTACHED BY LOCAL SOVIET MISSION TO MESKALA DEAL, THIS COULD SUGGEST GOM REACTION TO SOVIET UN VOTES ON SAHARA AND SUPPLY OF ARMS TO ALGERIA MAY HAVE LONGER TERM IMPLICATIONS FOR BILATERAL GOM/USSR RELATIONS THAN EARLIER BELIEVED LIKELY. HOWEVER, IMPLICATIONS RECENT OSMAN STOP IN MOSCOW, WHICH PLAYED HERE IN HIGHLY POSITIVE LIGHT, REMAIN TO BE ASSESSED. ALSO IMPLIES THAT GOS RECOGNIZES ITS RELATIONS WITH ALGERIA LASTINGLY IMPAIRED. NOW APPEARS GOS MAY WISH TO ENTER INTO RELATIONSHIP WITH MOROCCO TO OFFSET IN PART LOSS OF POSITION IN ALGERIA. END COMMENT.

3. NADOR STEEL PLANT. CONFIRMED GOM AND GOS DISCUSSION JOINT EXPLOITATION OF PROPOSED NADOR STEEL PLANT FORMERLY ENVISAGED AS MOROCCAN/ALGERIAN PROJECT. ACKNOWLEDGED THAT COSTS HIGH AND ECONOMICS MARGINAL IN VIEW CURRENT SURPLUS WORLD STEEL PRODUCTION. GIVEN TIGHT GOM GUDGET, DELAYS IN UNDERTAKING CONSTRUCTION ARE LIKELY. GOM/GOS COOPERATION THUS MORE PROBLEMATIC THAN PHSOPHATE DEAL.

4. ARRANGEMENT FOR EURO-LOAN, ACCORDING CENTRAL BANK OFFICIAL, ARE WITHIN FEW WEEKS OF COMPLETION. PLACEMENT WILL PROBABLY BE IN LONDON AND PROBABLE CONSORTIUM MANAGER WILL BE UNION DES BANQUES ARABES ET FRANCAISE (IN WHICH BANQUE DU MAROC HOLDS MINORITY PARTICIPATION).

5. SAUD ARABIAN FINANCIAL SUPPORT TO GOM. BANK OFFICIAL CONFIRMED DETAILS OF ADVANCE TRANSFER SAUDI DEFENSE SUPPORT FUNDS IN INCREASED QUANTITY REPORTED REF B. ADDED SIGNIFICANT COMMENT THAT FURTHER \$200 MILLION FROM SAUDIS WILL BE FORTHCOMING BEFORE YEAR END. IMPLIED STRONGLY THAT FUNDS INTENDED STRICTLY FOR MILITARY ACQUISITIONS.

6. IMF DRAWINGS. CONTRARY TO IMPLICATIONS REF A, PARA 6 (B), GOM INTENDING TO DRAW FROM IMF OIL FACILITY AS WELL AS \$34 MILLION GOLD TRANCHE. TOTAL FUNDS EXPECTED TO BE AVAIL-ABLE FROM IMF WILL THUS BE OF ORDER OF \$65 MILLION. STANDBY BEING ARRANGED FOR FURTHER \$60-65 MILLION--BUT IT HOPED

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ACTIVITATION WILL NOT BE NECESSARY.

7. OVERALL COMMENT. ACCELERATED SAUDI PAYMENT AT DOUBLE EXPECTED LEVEL HAS, ACCORDING CENTRAL BANK CONTACT, GREATLY ALLEVIATED IMMEDIATE FINANCIAL NEEDS. BANK SITUATION CURRENTLY EASED AS RESULT ADDITIONAL SAUDI MONEY, PLUS IMF AVAILABILITIES. NOW APPEARS LIKELY GOM WILL IN 1976, BY DINT OF HEAVY BORROWING PLUS ARAB BROTHER ASSISTANCE, EKE OUT BALANCE IN EXTERNAL ACCOUNTS. OUTLOOK IS STILL FOR PERIODS OF LOW BANK LIQUIDITY--LASTING FROM A FEW DAYS TO A FEW WEEKS AT

A STRETCH DURING YEAR (MORE OR LESS NORMAL EXPERIENCE IN MOROCCO). BUT OVERALL PICTURE NOW CONSIDERABLY BRIGHTER AS LONG AS FULL-FLEDGED, HIGH-COST CONFLICT WITH ALGERIA IS AVOIDED. END COMMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PHOSPHATES, FINANCIAL PROGRAMS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976RABAT01008
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760068-0068
From: RABAT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760223/aaaaattk.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: 76 RABAT 573
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2004 by BoyleJA>; APPROVED <31 AUG 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FURTHER DETAILS ON GOM EXTERNAL FINANCING NEEDS
TAGS: EGEN, EFIN, PFOR, EMIN, SP, MO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006